

## Axiata Group (AXIATA MK)

### Portfolio Optimisation To Unlock Growth And Value Creation

### Highlights

- The edotco monetisation can happen in 2026, while Linknet may take a longer time to find a suitable investor. Valuation of the edotco - if it is sold - will not be on a fire-sale basis, and we expect a valuation of 10-12x EV/EBITDA.
- Axiata's 2026-28 Investor Day highlighted that management will focus on the following three key areas: a) growing annual dividends by at or over 10% yoy; b) maintaining net debt/EBITDA at over 2x by 2028; and c) high single-digit annualised returns to shareholders.
- Share price has retraced by 13% ytd, likely on expectations of the monetisation exercise not materialising and/or at low valuation. We believe this risk is unfounded, and would accumulate on share price weakness. Maintain BUY with a SOTP-based target price of RM3.00.

### Analysis

- Axiata28: Reaping OPCOs' profitability and growth.** During its recent investor day, Axiata Group (Axiata) reiterated its aim to grow its dividends and strengthen its balance sheet over the next three years. The three key focus areas are: a) progressively higher annual dividends ( $\geq 10\%$  yoy), b) maintaining net debt/EBITDA at over 2x by 2028, and c) high single-digit annualised returns to shareholders. Over 2026-28, Axiata aims to progressively increase its dividend payout by at least 10% yoy from a base level of 10 sen DPS, commencing in 2026. Our projections suggest healthy free cashflow yields over the period at 13-15% FCF yield.
- Balance sheet discipline.** In 3Q25, the group's net debt/EBITDA improved to 2.61x (2Q25: 2.76x) with the utilisation of proceeds from the XLSmart merger for debt reduction. This was reflected in the partial redemption of RM631m in EMTNs at the holding company level, a RM611m sukuk repayment by Edotco, and the complete repayment of US dollar-denominated debt at Robi. Management targets a net debt/EBITDA of 2.5x by 2026 and a run-rate of less than 2.0x by 2028, excluding InfraCo monetisation prospects.
- Edotco monetisation to materialise in 2026.** Management remains confident that the edotco's monetisation will materialise in 2026 while recent volatility in the Indonesian capital markets poses a potential headwind to the execution of the LinkNet divestment in the near term. We expect an attractive 10-12x EV/EBITDA valuation for the edotco in a trade sale, suggesting upside to current market expectations of 7x-10x.

### Key Financials

| Year to 31 Dec (RMm)      | 2023     | 2024     | 2025F    | 2026F    | 2027F    |
|---------------------------|----------|----------|----------|----------|----------|
| Net turnover              | 22,318.3 | 22,334.6 | 12,043.0 | 12,442.3 | 13,238.8 |
| EBITDA                    | 9,909.0  | 11,129.0 | 5,662.9  | 6,001.3  | 6,458.6  |
| Operating profit          | 1,706.6  | 3,787.8  | 1,729.4  | 2,058.8  | 2,504.4  |
| Net profit (rep./act.)    | -1,315.1 | 946.8    | 427.7    | 595.2    | 864.7    |
| Net profit (adj.)         | 409.9    | 852.2    | 427.7    | 595.2    | 864.7    |
| EPS                       | 4.5      | 9.3      | 4.7      | 6.5      | 9.4      |
| PE                        | 49.0     | 23.6     | 47.0     | 33.8     | 23.3     |
| P/B                       | 0.9      | 0.9      | 1.0      | 1.0      | 1.0      |
| EV/EBITDA                 | 4.7      | 4.0      | 7.8      | 7.1      | 6.4      |
| Dividend yield            | 4.6      | 4.6      | 4.6      | 4.6      | 4.6      |
| Net margin                | 1.8      | 3.8      | 3.6      | 4.8      | 6.5      |
| Net debt/(cash) to equity | 91.7     | 86.5     | 83.7     | 77.3     | 71.7     |
| Interest cover            | 0.7      | 1.5      | 1.3      | 1.8      | 2.4      |
| ROE                       | 1.9      | 4.0      | 2.1      | 2.9      | 4.3      |
| Consensus net profit      | -        | -        | 552.6    | 664.3    | 885.8    |
| UOBKH/Consensus (x)       | -        | -        | 0.8      | 0.9      | 1.0      |

Source: Axiata, Bloomberg, UOB Kay Hian

### BUY (Maintained)

|              |        |
|--------------|--------|
| Share Price  | RM2.19 |
| Target Price | RM3.00 |
| Upside       | +37.0% |

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### Stock Data

|                                |                         |
|--------------------------------|-------------------------|
| GICS Sector                    | Communication ServicesR |
| Bloomberg ticker               | AXIATA MKP              |
| Shares issued (m)              | 9,186.3                 |
| Market cap (RMm)               | 20,117.9                |
| Market cap (US\$m)             | 5,112.6                 |
| 3-mth avg daily t'over (US\$m) | 3.10.                   |

### Price Performance (%)

| 52-week high/low |        | RM2.79/RM1.63 |       |        |  |
|------------------|--------|---------------|-------|--------|--|
| 1mth             | 3mth   | 6mth          | 1yr   | YTD    |  |
| (15.1)           | (15.8) | (16.7)        | (0.9) | (13.1) |  |

### Major Shareholders

|                         | %    |
|-------------------------|------|
| Khazanah Nasional Bhd   | 36.4 |
| Employee Provident Fund | 18.9 |
| Skim Amanah Saham       | 16.6 |

### Balance Sheet Metrics

|                          | %    |
|--------------------------|------|
| FY26 NAV/Share (RM)      | 1.38 |
| FY26 Net Debt/Share (RM) | 1.08 |

### Price Chart



Source: Bloomberg

### Company Description

Mobile operator.

### Edotco Enterprise Value

|                                      | EV/EBITDA Multiple (x) |               |               |               |               |               |
|--------------------------------------|------------------------|---------------|---------------|---------------|---------------|---------------|
|                                      | 7                      | 8             | 9             | 10            | 11            | 12            |
| Edotco EBITDA (RMm)                  | 1,750                  | 1,750         | 1,750         | 1,750         | 1,750         | 1,750         |
| <b>Edotco Enterprise Value (RMm)</b> | <b>12,250</b>          | <b>14,000</b> | <b>15,750</b> | <b>17,500</b> | <b>19,250</b> | <b>21,000</b> |
| edotco Net Debt (RMm)                | 4,700                  | 4,700         | 4,700         | 4,700         | 4,700         | 4,700         |
| Edotco Equity Value (RMm)            | 7,550                  | 9,300         | 11,050        | 12,800        | 14,550        | 16,300        |
| % of current market cap (%)          | 34%                    | 42%           | 50%           | 57%           | 65%           | 73%           |
| Interest savings (5% - net of tax)   | 283.13                 | 348.75        | 414.38        | 480.00        | 545.63        | 611.25        |
| Loss of Income (net of tax)          | 463                    | 463           | 463           | 463           | 463           | 463           |
| <b>Net impact</b>                    | <b>-179</b>            | <b>-114</b>   | <b>-48</b>    | <b>18</b>     | <b>83</b>     | <b>149</b>    |

Source: Axiata, UOB Kay Hian

### Operating Companies (OPCOs) Performance And Outlook

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Robi (Bangladesh)</b>     | <ul style="list-style-type: none"> <li>Adopted a customer value management model in 3Q25, which saw ARPU growing by 5% yoy.</li> <li>Focusing on penetrating into the home broadband (HBB) market with fixed wireless access (FWA), commanding 40m households with 65% untapped potential.</li> </ul>                                                                                                                                       |
| <b>Dialog (Sri Lanka)</b>    | <ul style="list-style-type: none"> <li>Introduction of 5G plans has seen usage doubling leading to revenue uplift (3Q25: +4% qoq)</li> <li>Will be leveraging Edotco's spectrum allocation to expand its coverage and reach to defend its 70% market share.</li> <li>Aims to completely pare down US dollar debt by mid-26.</li> </ul>                                                                                                      |
| <b>SMART (Cambodia)</b>      | <ul style="list-style-type: none"> <li>Focusing on expanding home broadband penetration to increase data market share, deepen penetration within the MSME segment, and achieve 40% 5G population coverage.</li> <li>Commands a net cash position, strengthening its dividend payout prospects.</li> </ul>                                                                                                                                   |
| <b>XLSmart (Indonesia)</b>   | <ul style="list-style-type: none"> <li>73% of integration completed in Jan 26, with total completion slated for Jun 26. Total synergy savings reported at USD250m (114% of 2025 target).</li> <li>Past two quarters have reported ARPU uplift, with further 5% increase expected in 4Q25. However, the growth reflects a normalisation trend from previous lows, with structural ARPU uplift to be seen over the next few years.</li> </ul> |
| <b>CelcomDigi (Malaysia)</b> | <ul style="list-style-type: none"> <li>Has successfully completed over 90% of network integration and over 80% of its IT consolidation exercise, three years after the merger.</li> <li>In 2025, CelcomDigi pivoted away from unprofitable segments and focus on monetizing bundle plans which are right for different customer segments, leading to APA growing 7% yoy.</li> </ul>                                                         |

Source: Axiata, UOB Kay Hian

## Valuation/Recommendation

- Maintain BUY with a SOTP-based target price of RM3.00.** Against a backdrop of balance sheet deleveraging and operating cash flow discipline, we expect management to pay out a DPS of 10 sen for 2025. This translates to a dividend yield of 4.6%.
- Key re-rating catalysts** include: a) stronger OPCO performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of EDOTCO, allowing for share price discovery.

## Earnings Revision/Risk

- No changes to earnings.

## Environmental, Social, Governance (ESG)

### Environmental

- Committed to achieving net-zero emission by no later than 2050 and reducing operational carbon emissions by 45% from a 2020 baseline.

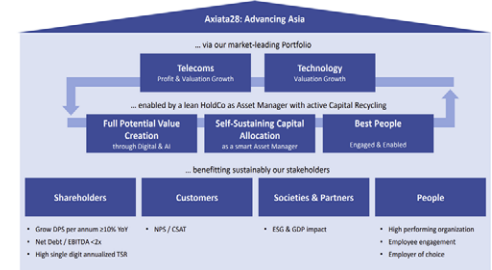
### Social

- Launched Organisation 5.0 supporting a future-ready mindset for employees.
- 30% women's representation in senior management team by 2025.

### Governance

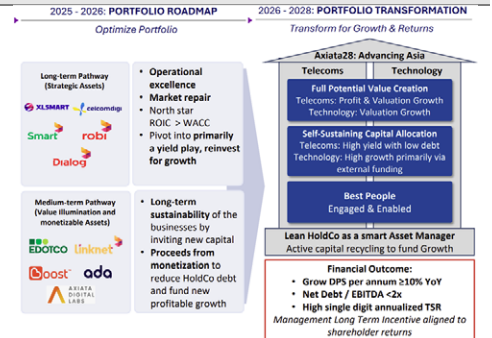
- Over 90% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.

### Axiata28



Source: Axiata

### 2026-2028 Focus



Source: Axiata

### Potential Edotco Acquirers

|                                        | Enterprise Value |
|----------------------------------------|------------------|
| Macquarie Asset Management             | USD3b            |
| EPF-KWAP-I Squared Capital Consortium  |                  |
| CVC Capital-KWAP-Chinese Co Consortium |                  |
| Khazanah-EPF Consortium                |                  |

Source: The Edge, Bloomberg, UOB Kay Hian

## Profit & Loss

| Year to 31 Dec (RMm)             | 2024            | 2025F           | 2026F           | 2027F           |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net turnover</b>              | <b>22,334.6</b> | <b>12,043.0</b> | <b>12,442.3</b> | <b>13,238.8</b> |
| EBITDA                           | 11,129.0        | 5,662.9         | 6,001.3         | 6,458.6         |
| Deprec. & amort.                 | (7,341.2)       | (3,933.5)       | (3,942.4)       | (3,954.1)       |
| EBIT                             | 3,787.8         | 1,729.4         | 2,058.8         | 2,504.4         |
| Total other non-operating income | -               | -               | -               | -               |
| Associate contributions          | 450.9           | 692.5           | 722.4           | 787.8           |
| Net interest income/(expense)    | (2,079.4)       | (1,221.3)       | (1,195.8)       | (1,087.3)       |
| <b>Pre-tax profit</b>            | <b>2,564.5</b>  | <b>1,200.6</b>  | <b>1,585.5</b>  | <b>2,204.9</b>  |
| Tax                              | (965.6)         | (678.1)         | (895.5)         | (1,245.3)       |
| Minorities                       | (652.0)         | (94.8)          | (94.8)          | (94.8)          |
| <b>Net profit</b>                | <b>946.8</b>    | <b>427.7</b>    | <b>595.2</b>    | <b>864.7</b>    |
| Net profit (adj.)                | 852.2           | 427.7           | 595.2           | 864.7           |

## Balance Sheet

| Year to 31 Dec (RMm)                  | 2024            | 2025F           | 2026F           | 2027F           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Fixed assets                          | 25,521.6        | 22,086.4        | 19,504.5        | 17,660.1        |
| Other LT assets                       | 38,400.2        | 39,092.7        | 39,815.1        | 40,602.9        |
| Cash/ST investment                    | 4,860.4         | -482.8          | -318.3          | -561.3          |
| Other current assets                  | 5,573.7         | 3,052.2         | 3,150.0         | 3,345.2         |
| <b>Total assets</b>                   | <b>74,355.9</b> | <b>63,748.5</b> | <b>62,151.4</b> | <b>61,046.9</b> |
| ST debt                               | 4,682.7         | 5,838.1         | 5,338.1         | 4,838.1         |
| Other current liabilities             | 11,593.9        | 7,726.9         | 7,775.7         | 8,047.5         |
| LT debt                               | 18,508.2        | 11,008.5        | 10,091.1        | 9,173.8         |
| Other LT liabilities                  | 11,994.3        | 11,994.3        | 11,994.3        | 11,994.3        |
| Shareholders' equity                  | 21,193.2        | 20,702.3        | 20,378.9        | 20,325.1        |
| Minority interest                     | 6,383.5         | 6,478.3         | 6,573.2         | 6,668.0         |
| <b>Total liabilities &amp; equity</b> | <b>74,355.9</b> | <b>63,748.5</b> | <b>62,151.4</b> | <b>61,046.9</b> |

## Cash Flow

| Year to 31 Dec (RMm)                        | 2024             | 2025F            | 2026F            | 2027F            |
|---------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Operating</b>                            | <b>8,836.8</b>   | <b>6,151.8</b>   | <b>6,806.8</b>   | <b>6,489.9</b>   |
| Pre-tax profit                              | 2,564.5          | 1,200.6          | 1,585.5          | 2,204.9          |
| Tax                                         | (965.6)          | (678.1)          | (895.5)          | (1,245.3)        |
| Deprec. & amort.                            | 7,341.2          | 6,446.0          | 5,692.4          | 5,154.1          |
| Associates                                  | (450.9)          | (692.5)          | (722.4)          | (787.8)          |
| Working capital changes                     | (782.1)          | (1,345.5)        | (49.0)           | 76.7             |
| Other operating cashflows                   | (949.7)          | -                | -                | -                |
| <b>Investing</b>                            | <b>2,079.4</b>   | <b>1,221.3</b>   | <b>1,195.8</b>   | <b>1,087.3</b>   |
| Capex (maintenance)                         | (5,459.1)        | (2,942.8)        | (3,125.6)        | (3,324.7)        |
| Proceeds from sale of assets                | (5,055.2)        | (3,010.7)        | (3,110.6)        | (3,309.7)        |
| Others                                      | (403.9)          | 67.9             | (15.0)           | (15.0)           |
| <b>Financing</b>                            | <b>(3,111.6)</b> | <b>(8,552.2)</b> | <b>(3,516.7)</b> | <b>(3,408.2)</b> |
| Dividend payments                           | (918.3)          | (918.6)          | (918.6)          | (918.6)          |
| Issue of shares                             | 12.1             | -                | -                | -                |
| Proceeds from borrowings                    | (1,651.2)        | (6,344.4)        | (1,417.4)        | (1,417.4)        |
| Others/interest paid                        | (554.2)          | (1,289.2)        | (1,180.8)        | (1,072.3)        |
| <b>Net cash inflow (outflow)</b>            | <b>266.2</b>     | <b>(5,343.2)</b> | <b>164.5</b>     | <b>(243.0)</b>   |
| <b>Beginning cash &amp; cash equivalent</b> | <b>3,388.6</b>   | <b>3,151.6</b>   | <b>(2,191.6)</b> | <b>(2,027.1)</b> |
| Changes due to forex impact                 | (514.5)          | -                | -                | -                |
| <b>Ending cash &amp; cash equivalent</b>    | <b>3,140.2</b>   | <b>(2,191.6)</b> | <b>(2,027.1)</b> | <b>(2,270.1)</b> |

## Key Metrics

| Year to 31 Dec (%)        | 2024     | 2025F  | 2026F | 2027F |
|---------------------------|----------|--------|-------|-------|
| <b>Profitability</b>      |          |        |       |       |
| EBITDA margin             | 49.8     | 47.0   | 48.2  | 48.8  |
| Pre-tax margin            | 11.5     | 10.0   | 12.7  | 16.7  |
| Net margin                | 3.8      | 3.6    | 4.8   | 6.5   |
| ROA                       | 1.1      | 0.7    | 1.0   | 1.4   |
| ROE                       | 4.0      | 2.1    | 2.9   | 4.3   |
| <b>Growth</b>             |          |        |       |       |
| Turnover                  | 0.1      | (46.1) | 3.3   | 6.4   |
| EBITDA                    | 12.3     | (49.1) | 6.0   | 7.6   |
| Pre-tax profit            | 23,177.4 | (53.2) | 32.1  | 39.1  |
| Net profit                | (172.0)  | (54.8) | 39.2  | 45.3  |
| Net profit (adj.)         | 107.9    | (49.8) | 39.2  | 45.3  |
| EPS                       | 107.9    | (49.8) | 39.2  | 45.3  |
| <b>Leverage</b>           |          |        |       |       |
| Debt to total capital     | 39.9     | 33.6   | 31.5  | 29.1  |
| Debt to equity            | 109.4    | 81.4   | 75.7  | 68.9  |
| Net debt/(cash) to equity | 86.5     | 83.7   | 77.3  | 71.7  |
| Interest cover (x)        | 1.5      | 1.3    | 1.8   | 2.4   |

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